

TO THE HONORABLE JUDGE OF SAID COURT:

COME NOW Diverse Energy Systems, LLC ("Diverse Holdings"), Diverse Energy Systems, LLC d/b/a Lean Technologies, LLC (the "Debtor" or "Diverse"), Scribner Industries, Inc. ("Scribner"), and Rouly, Inc. ("Rouly" and, collectively with Diverse Holdings, Diverse, and Scribner, the "Debtors") as debtors and debtors in possession, and file this Emergency Supplemental Motion for Use of Cash Collateral ("Supplemental Motion").

1. The Debtors have previously filed the *Debtors' Motion to Extend Term of Final order Authorizing Use of Cash Collateral and Request for Expedited Consideration* ("Motion") [Docket No. 269].¹ The Motion came on for consideration by the Court on January 4, 2016. At that hearing, the Court approved a two-week extension of the Debtors' use of cash collateral for the weeks beginning January 11 and January 18, 2016. As a consequence, the current authorization to use cash collateral runs through January 22, 2016. In this Supplemental Motion, Debtors seek an extension of their authorization to use cash collateral through January 29, 2016 in order to close the proposed sale.

2. The rationale for the Debtors requesting, and the Court granting, the limited two-week extension to use cash collateral was to ascertain whether the Debtors would be able to close a sale of their assets. At this time, it appears that the Debtors will be able to close the sale of their assets to Cimarron Acquisition Co. ("Purchaser"), an affiliate of Turnbridge Capital, by January 29, 2016. However, in order to close such a sale to Purchaser, the Debtors may require the use of cash collateral through the end of the week ending January 29, 2016. The proposed Budget is attached as **Exhibit "A"**.

3. The cash collateral which Debtors propose to use is subject to liens in favor of the DIP lender, Coyote Capital Management, LLC ("Coyote"), and a pre-petition lender, Alerus Bank ("Alerus"). As part of the proposed sale to Purchaser, Coyote's post-petition loan will be

¹ Capitalized terms not otherwise defined herein shall be given the meaning described in the Motion.

paid in full from the sales proceeds. The sales proceeds remaining after the payment in full of Coyote are hereinafter referred to as the "Net Sales Proceeds".

4. The Net Sales Proceeds remaining after payment of Coyote will constitute the cash collateral of Alerus in either these bankruptcy cases or the case of ITS Engineered Systems, Inc., Case No. 15-32145.² However, the Net Sales Proceeds will not be nearly enough to pay Alerus in full. Alerus has or will agree to release its liens against the Debtors' assets to be sold to Purchaser, and allow the proposed sale to close, so long as Alerus is paid an agreed sum from the Net Sales Proceeds. Debtors believe that, in this event, Alerus will allow the balance of the Net Sales Proceeds, which constitutes the cash collateral of Alerus, to be used for the payment of the sale costs and the expenses of Debtors and the sale costs of expenses of IS, including professional fees in these cases and the ITS case. To the extent necessary, Debtors will file another supplemental motion to use the cash collateral represented by the Net Sales Proceeds to pay another unpaid sales costs, including professional fees.

5. In this regard, Debtors reserve the right to file further supplemental motions to use the Net Sales Proceeds, which constitutes Alerus' cash collateral, both in terms of the request for use of cash collateral and as a surcharge against cash collateral of Alerus pursuant to section 506(c) of the Bankruptcy Code to pay costs and other expenses arising from, or relating to, the sale of Debtors' assets as reflected in the Budget.

6. Throughout the sales procedure, the investment bankers for the Debtors have been SSG Advisors, LLC and Chiron Financial Group, Inc. (collectively "SSG"). The Court has previously approved the Debtors' application (as supplemented) to retain SSG [Docket Nos. 44 and 104], pursuant to an Order [Docket No. 124] ("SSG Order") entered on October 8, 2015. These pleadings provide for the payment of SSG's fees at closing from the sales proceeds.

² As a part of sale to Purchaser, Debtors anticipate that both Nations Fund I, LLC and Fountain Leasing 2013, L.P. will relinquish any cash collateral right or claim to the Net Sales Proceeds. Grand Bank, N.A., has no cash collateral rights in the Net Sales Proceeds. Consequently, once Coyote has been paid in full, Debtors believe that Alerus will be the only lender with an interest in the cash collateral represented by the Net Sales Proceeds.

Consequently, Debtors also move the Court to allow for payment from the Net Sales Proceeds of the fees payable to SSG in accordance with the SSG Order. These sums are not reflected in the Budget.

PRAYER FOR RELIEF

WHEREFORE, the Debtors respectfully request that this Court enter an order granting the relief requested herein and granting the Debtors all such other and further relief to which they may be justly entitled.

Dated: January 20, 2016

Respectfully submitted,

/s/ J. Robert Forshey
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CERTIFICATE OF ACCURACY

The undersigned hereby certifies that the facts contained in the foregoing Motion are true and correct to the best of his knowledge.

/s/ J. Robert Forshey
J. Robert Forshey

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been electronically filed in the case with the Clerk of the United States Bankruptcy Court by using the CM/ECF system, a copy was served on the parties who receive notice via the Court's ECF notification system, and the foregoing document was served via email on the parties listed below on this the 20th day of January, 2016.

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L:\BFORSHEY\Diverse Energy Systems, LLC #5759\Pleadings (Diverse BK Case) 15-34736 (TXSB)\Emergency Supplemental Motion to Use Cash Collateral 1.20.16 v2.docx

EXHIBIT “A”

Cash Collateral Sources & Uses for one week starting 01.25.16

Description	1/25/2016	Total
	Budget	
Beginning Cash	183,846	329,958
***DIP Loan	-	-
ITS DIP Loan (advance) payment		-
Inflow:		
AR Collections - Current	-	49,030
AR Collections - New \ Misc	-	-
Intercompany allocations (GL, Umbrella, Property, Benefits)		-
Total Inflows	-	49,030
Outflow:		
Payroll - Direct & Shop OH		-
Payroll - SG&A		-
401k \ Health Savings		-
Materials to Purchase (current orders)		12,500
Materials to Purchase (new orders)	-	-
Bariven \ PDVSA	-	-
ITS charge for manufactured goods	50,000	175,000
Rents	-	-
Recurring Pymts	-	-
Utilities	-	-
Legal \ Professional fees	58,000	91,167
US Trustee Fees	-	11,375
General Expenses (i.e. shop expenses)	5,000	18,100
Adequate Protection Payments	-	-
Interest Payments on DIP Loan		-
Insurance (Health and Life)	-	-
Other - Sales Tax	15,000	15,000
Total Outflows	128,000	323,142
Ending Cash	55,846	55,846

Cash Collateral Sources & Uses for one week starting 01.25.16

Description	1/25/2016	Total
	Budget	
Beginning Cash	46,715	20,032
***DIP Loan	-	-
Inflow:		
AR Collections - Current		
AR Collections - New		
Revenue from Diverse	50,000	175,000
Outflow:		
Payroll - Direct & Shop OH		-
Payroll - SG&A		-
401k		-
** Rents	-	-
Recurring Payments	-	-
Utilities		6,580
Materials in Manufacturing		-
General \ Shop Overhead expenses		-
Legal and Professional Fees	55,000	140,237
Bank Fees		-
U.S. Trustee Fees	-	6,500
Intercompany allocations (GL, Umbrella, Property, Benefits)	-	-
Diverse Management Fee		-
Interest Payments on DIP Loan		-
Insurance (Health and Life, etc.)	-	-
Other	-	-

Total Outflows	55,000	153,317
Net Cash Flows	(5,000)	21,683
Ending Cash	41,715	41,715

Cash Collateral Sources & Uses for one week starting 01.25.16

Description	1/25/2016	Total
	Budget	
Beginning Cash	230,562	349,990
***DIP Loan	-	-
Inflow:		
AR Collections - Current	-	49,030
AR Collections - New \ Misc	-	-
Total Inflows	-	49,030
Outflow:		
Payroll - Direct & Shop OH	-	-
Payroll - SG&A	-	-
401k \ Health Savings	-	-
Materials to Purchase (current orders)	-	12,500
Materials to Purchase (new orders)		-
Bariven \ PDVSA		-
Rents	-	-
Recurring Pymts	-	-
Utilities	-	6,580
Legal \ Professional fees	113,000	231,404
US Trustee	-	17,875
General Expenses (i.e. shop expenses)	5,000	18,100
Adequate Protection Payments	-	-
Interest Payments on DIP Loan	-	-
Insurance (Health and Life, etc.)	-	-
Other - Sales Tax	15,000	15,000
Contingency	-	-
Total Outflows	133,000	301,459
Ending Cash	97,562	97,562

Consolidated